

Memorandum

To : The Conservancy
The Advisory Committee

Date: September 24, 2007

From :  Joseph T. Edmiston, FAICP, Hon. ASLA, Executive Director

Subject: **Agenda Item 9(c): Consideration of resolution authorizing agreement with Zions First National Bank for bridge financing of Conservancy grant projects.**

Staff Recommendation: That the Conservancy authorize agreement with Zions First National Bank for bridge financing of Conservancy grant projects.

Legislative Authority: Section 33211 of the Public Resources Code .

Background: The Conservancy regularly makes grants to the Mountains Recreation and Conservation Authority (MRCA) for projects consistent with Division 23 of the Public Resources Code (Conservancy Act). Grant funded projects include capital improvement projects such as Tujunga Wash and Vista Hermosa park improvement projects.

The MRCA is in most cases required by contract to pay the contractors and construction materials suppliers engaged to construct the park project or provide materials within thirty days after receipt of the contractor's or materials supplier's invoice. Some of the MRCA park improvement projects are funded by multiple grants from different government entities. Some of these funding sources do not reimburse the MRCA in a commercially reasonable time frame. In prior years this problem was solved by the Conservancy advancing funds to the Authority and thereby facilitating timely payment. This option is no longer available.

In order to deal with the problem the MRCA has entered into a three million dollar line of credit with Zions Bank to bridge the time gap between payments to the contractors and/or materials suppliers and receipt of reimbursements from the funding sources. Draws on the line of credit can only be made for projects funded by encumbered grants. The risk of default is negligible. But the risk of the MRCA not being able to complete a Conservancy grant funded project is less than negligible if the contractors walk off the job. The MRCA has advised the Conservancy that the line of credit needs to be increased by up to two million dollars, which will require, at minimum, an undertaking by the Conservancy that it will pay appropriately documented invoices in an expedited manner so as to reduce the payment lag time, and if necessary, add additional security.

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Absent the Conservancy entering into an agreement with the bank to backstop its own grants, and thereby facilitating the construction of improvements funded by sources that cannot reimburse in a commercially reasonable time frame or and for which grant advances cannot be made, the scope of park projects will have to be drastically scaled back. This problem is now being experienced at the Vista Hermosa park project and the Tujunga Wash stream restoration project.